

Auburn City Council
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Definition of Performance Based Budget

Now more than ever, impending structural changes compel the City to implement best practices in the budget process. Conventional budgeting for the City of Auburn typically starts with last year's budget, or a baseline, and focuses on cuts or adjustments until "revenues equal expenditures." Performance-based budgeting starts instead with desired results and focuses on how best to allocate available resources achieve those results.

Performance-based budgeting, or PBB, is defined by "*the use of performance data throughout the budget preparation process and by the commitment of decision makers to consider performance data when making resource allocation decisions.*"

PBB requires decision-makers to take in-depth looks at fiscal budgets and costs of programs and prioritize those programs which are the most important to residents, reflect the highest priorities of the governing body, or represent areas of emphasis as the agency continues to move forward. PBB is also known as "Priority Based Budgeting," where resource allocation decisions are based on key priorities. Staff also accounts for whether a program is mandated, how well it covers administrative costs, how many people it affects and whether another agency is already providing the service.

Benefits of performance-based budgeting include:

- PBB encourages better and more frequent strategic planning which aligns service delivery *and* spending with desired outcomes.
- PBB provides staff with information and data that can make them more efficient, especially driving performance-based decision making
- PBB enhances transparency and accountability to the public that their government is committed to improving service quality and results.

No performance-based budgeting system can:

- Ensure equitable cuts to programs or service delivery adjustments. PBB largely prevents "across-the-board" cuts to departments and emphasizes priority-based cuts.
- Solve a fiscal crisis or emergency.
- Remove politics from decision making.
- Prevent poor management decisions.
- Refocus citizen priorities.

Once priorities have been established, staff will align annual budgets with those priorities. Then, performance is measured, monitored and made available to the public in order to make the decision making process transparent and accountable.